

**CITY OF SUPERIOR  
INDEPENDENT AUDITORS' REPORTS  
SEWER FUND FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**JUNE 30, 2012**

CITY OF SUPERIOR  
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## CITY OF SUPERIOR

### CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2012)		
Everett Houge	Mayor	December 31, 2013
Kirk Gates	Council Member	December 31, 2013
Rachel Hawn	Council Member	December 31, 2013
Benjamin Hawn	Council Member	December 31, 2013
Kevin Swalve	Council Member	December 31, 2011
Michael Roach	Council Member	December 31, 2011
DeAnne Bueltel	City Administrator / Clerk	December 31, 2011
John M. Bjornstad	City Attorney	December 31, 2011
(After January 1, 2012)		
Everett Houge	Mayor	December 31, 2013
Kirk Gates	Council Member	December 31, 2013
Rachel Hawn	Council Member	December 31, 2013
Benjamin Hawn	Council Member	December 31, 2013
Kevin Swalve	Council Member	December 31, 2015
Michael Roach *	Council Member	December 31, 2015
* Michael Roach passed away in June 2012.		
DeAnne Bueltel	City Administrator / Clerk	December 31, 2013
John M. Bjornstad	City Attorney	December 31, 2013

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Superior  
Superior, IA 51363

We have audited the accompanying financial statement of the sewer fund of the City of Superior, Iowa, as of and for the year ended June 30, 2012 as listed in the table of contents. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution to the sewer fund of the total fund balance of the City of Superior at July 1, 2011.

As described in Note 1, the financial statement presents only the Sewer Fund and does not purport to, and does not, present fairly the financial position of the City of Superior as of June 30, 2012 and the changes in cash basis financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the sewer fund of the City of Superior as of June 30, 2012 and the change in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2013 on our consideration of the City of Superior's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the sewer fund financial statement of the City of Superior. The information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purposes of additional analysis and is not a required part of the financial statement. The information has been subjected to the auditing procedures applied in our audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the sewer fund financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the sewer fund financial statement. The budgetary comparison information on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statement. This information has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Winters, Starnes & Co., LLP

February 14, 2013

CITY OF SUPERIOR  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGE IN CASH BALANCE  
PROPRIETARY FUND  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

OPERATING RECEIPTS:	
Charges for services .....	\$ 21,264
Miscellaneous .....	471
TOTAL OPERATING RECEIPTS	<u>21,735</u>
OPERATING DISBURSEMENTS:	
Business-type activities .....	<u>8,596</u>
TOTAL OPERATING DISBURSEMENTS	<u>8,596</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>13,139</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):	
Intergovernmental .....	738,211
Interest on investments .....	148
Loan proceeds .....	987,542
Debt service .....	(561,683)
Capital projects .....	<u>(1,185,082)</u>
NET NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(20,864)</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(7,725)
OPERATING TRANSFERS IN .....	<u>33,476</u>
NET CHANGE IN CASH BALANCE	25,751
CASH BALANCE - BEGINNING OF YEAR .....	<u>10,023</u>
CASH BALANCE - END OF YEAR	<u>\$ 35,774</u>
CASH BALANCE FUND BALANCE:	
Restricted for debt service .....	\$ 1,380
Restricted for facility replacement .....	1,806
Unrestricted .....	<u>32,588</u>
TOTAL CASH BASIS FUND BALANCE	<u>\$ 35,774</u>

CITY OF SUPERIOR  
NOTES TO FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Superior is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1895 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Measurement Focus and Basis of Accounting**

The financial statement presents only the sewer fund, a proprietary fund, of the City of Superior. The City of Superior maintains its financial records on the basis of cash receipts and disbursements and the sewer fund financial statement of the City is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present financial position and results of operation of the fund in accordance with accounting principles generally accepted in the United States of America.

A proprietary fund distinguishes operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**B. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information.

**C. Subsequent Events**

Management has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statement was available to be issued.

**2. CASH AND POOLED INVESTMENTS**

The City's sewer fund deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; and certain joint investment trusts.

CITY OF SUPERIOR  
NOTES TO FINANCIAL STATEMENT - Continued  
YEAR ENDED JUNE 30, 2012

**2. CASH AND POOLED INVESTMENTS - Continued**

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**3. BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for sewer revenue notes are as follows:

Year Ending June 30,	<u>Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 3,308	\$ 7,256
2014	8,110	17,243
2015	8,357	16,996
2016	8,611	16,742
2017	8,873	16,480
2018 - 2022	48,581	78,185
2023 - 2027	56,431	70,334
2028 - 2032	65,553	61,212
2033 - 2037	76,147	50,619
2038 - 2042	88,453	38,313
2043 - 2047	102,748	24,017
2048 - 2052	<u>106,600</u>	<u>7,489</u>
Total	<u>\$581,772</u>	<u>\$404,886</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$581,772 in sewer revenue notes issued in December 2011. Proceeds from the notes provided financing for the construction of sanitary sewers. The notes are payable solely from sewer customer net receipts and are payable through 2051. Annual principal and interest payments on the notes are expected to require nearly 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$986,658. For the current year, principal and interest paid and total customer net receipts were \$10,993 and \$13,139, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a facility replacement reserve account and a debt service reserve account within the Sewer Fund for the purpose of making the note principal and interest payments when due.



CITY OF SUPERIOR  
NOTES TO FINANCIAL STATEMENT - Continued  
YEAR ENDED JUNE 30, 2012

**3. LITIGATION**

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the financial condition of the City's sewer fund.

**4. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The city assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past year.

**5. SUBSEQUENT EVENTS**

In July to September 2012, the City was advanced an additional \$45,786 in sewer revenue notes from the United States Department of Agriculture (USDA). During the same period of time, the city received an additional \$40,911 in grant funds from USDA. The above amounts are not reflected in the sewer fund financial statement or supplementary information.

## OTHER INFORMATION

CITY OF SUPERIOR  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - PROPRIETARY FUND  
OTHER INFORMATION (UNAUDITED)  
YEAR ENDED JUNE 30, 2012

	Sewer Funds <u>Actual</u>	Budgeted Amounts <u>Original/Final</u>	<u>Variance</u>
RECEIPTS:			
Use of money and property .....	\$ 148		\$ 148
Intergovernmental .....	738,211	\$1,290,000	(551,789)
Charges for service .....	21,264		21,264
Miscellaneous .....	<u>471</u>	<u>          </u>	<u>471</u>
TOTAL RECEIPTS	<u>760,094</u>	<u>1,290,000</u>	<u>(529,906)</u>
DISBURSEMENTS:			
Business-type activities .....	<u>1,209,773</u>	<u>1,290,000</u>	<u>80,227</u>
TOTAL DISBURSEMENTS	<u>1,209,773</u>	<u>1,290,000</u>	<u>80,227</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(449,679)		(449,679)
OTHER FINANCING SOURCES - NET .....	<u>475,430</u>	<u>          </u>	<u>475,430</u>
EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS	25,751	<u>          </u>	<u>\$ 25,751</u>
CASH BALANCES - BEGINNING OF YEAR ....	<u>10,023</u>		
CASH BALANCES - END OF YEAR	<u>\$ 35,774</u>		

CITY OF SUPERIOR  
NOTES TO OTHER INFORMATION (UNAUDITED) - BUDGETARY REPORTING

The budgetary comparison is presented as Other Information and includes only the Sewer Fund of the City. In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Proprietary Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

## **SUPPLEMENTARY INFORMATION**

CITY OF SUPERIOR  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>
<u>Revenue Notes:</u>			
Sewer Revenue Capital Loan Notes	12-20-2011	3.00%	\$631,000

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 0	\$585,214	\$ 3,442	\$581,772	\$ 7,551	\$ -

CITY OF SUPERIOR  
BOND AND NOTE MATURITIES  
JUNE 30, 2012

Sewer Revenue  
Capital Loan Notes  
Issued 12-20-2011

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>	<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2013	\$ 3,308	2033	\$ 14,331
2014	8,110	2034	14,767
2015	8,357	2035	15,216
2016	8,611	2036	15,678
2017	8,873	2037	16,155
2018	9,143	2038	16,647
2019	9,421	2039	17,153
2020	9,707	2040	17,675
2021	10,003	2041	18,212
2022	10,307	2042	18,766
2023	10,620	2043	19,337
2024	10,943	2044	19,925
2025	11,276	2045	20,531
2026	11,619	2046	21,156
2027	11,973	2047	21,799
2028	12,337	2048	22,462
2029	12,712	2049	23,146
2030	13,099	2050	23,849
2031	13,497	2051	24,575
2032	13,908	2052	<u>12,568</u>
		TOTAL	<u>\$581,772</u>

CITY OF SUPERIOR  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal			
Systems for Rural Communities .....	10.760		\$1,168,026
Indirect:			
U.S. Department of Housing and			
Urban Development:			
Iowa Department of Economic			
Development:			
Community Development Block			
Grant/State's Program .....	14.228	10-WS-068	<u>128,213</u>
TOTAL			<u>\$1,296,239</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Superior and is presented in conformity with an other comprehensive basis of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statement.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Superior  
Superior, IA 51363

We have audited the accompanying financial statement of the sewer fund of the City of Superior, Iowa, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 14, 2013. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Superior's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statement of the sewer fund of the City of Superior is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the operations of the city's sewer fund for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the sewer fund financial statement. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Superior's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's response, we did not audit the City's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Superior and other parties to whom the City of Superior may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Superior during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winters, Stave & Co., LLP*

February 14, 2013

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

To the Honorable Mayor and  
Members of the City Council  
City of Superior  
Superior, IA 51363

**Compliance**

We have audited the City of Superior's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2012. The City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Superior complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of the City of Superior and other parties to whom the City may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Winters, Starn & Co., LLC*

February 14, 2013

CITY OF SUPERIOR  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**Part I: Summary of the Independent Auditors' Results**

- (a) An unqualified opinion was issued on the financial statement which was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statement.
- (c) The audit did not disclose any noncompliance which is material to the financial statement.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statement.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 10.760 - Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Superior did not qualify as a low-risk auditee.

CITY OF SUPERIOR  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2012

**Part II: Findings Related to the Financial Statements**

**Internal Control Deficiency:**

II-A-12 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with one office employee, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider a review of our control procedures.

Conclusion - Response accepted.

**Instances of Noncompliance:**

No matters were reported.

CITY OF SUPERIOR  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2012

**Part III: Findings and Questioned Costs for Federal Awards**

**Instances of Noncompliance:**

No matters were reported.

**Internal Control Deficiency:**

CFDA Number 10.760:           Water and Waste Disposal Systems for Rural Communities  
Federal Award Year:           2012  
U.S. Department of Agriculture

III-A-12 Segregation of Duties Over Federal Receipts - The City did not properly segregate collection, deposit, and recordkeeping for receipts, including those related to its federal program. See item II-A-12.

CITY OF SUPERIOR  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2012

**Part IV: Other Findings Related to Required Statutory Reporting for Sewer Fund**

IV-A-12 Certified Budget - Disbursements for the sewer fund of the City during the year ended June 30, 2012 did not exceed the amounts budgeted.

IV-B-12 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions - No business transactions between the City and city officials or employees were noted.

IV-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-12 Council Minutes - We noted the December sewer fund receipts reported in the minutes did not include \$20,754 received from the Iowa Economic Development CDBG grant.

Recommendation - We recommend that all receipts be reported in the minutes to ensure accurate disclosure of funding.

Response - We will report all receipts in the minutes.

Conclusion - Response accepted.

IV-G-12 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy. However, the investment policy has not been updated since 1992.

Recommendation - We recommend that the Council review and update their investment policy in accordance with Chapter 12B and 12C of the Code of Iowa.

Response - We will review and update our investment policy.

Conclusion - Response accepted.

IV-H-12 Revenue Notes - No instances of noncompliance with the revenue note resolutions were noted.